

25 February 2013

The Manager
Australian Securities Exchange
Company Announcements Office
Level 4/20 Bridge Street
SYDNEY NSW 2000

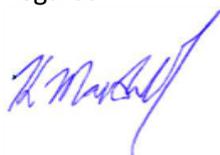
Dear Sir

**RE: DRILLING UPDATE FOR CYRENE-1 IN EP 438, CANNING BASIN, WESTERN AUSTRALIA
FOR THE PERIOD 0600 HOURS 12 FEBRUARY 2013 TO 0600 HOURS 25 FEBRUARY 2013**

Please find details of the drilling activities of Cyrene-1 attached.

Buru Energy Limited	37.5%
Mitsubishi Corporation (Diamond Resources (Canning) Pty Ltd)	37.5%
Key Petroleum Ltd (Gulliver Productions Pty Ltd)	20.0%
Indigo Oil Pty Ltd	5.0%

Regards



KANE MARSHALL
Managing Director
KEY PETROLEUM LIMITED

ASX AND MEDIA ANNOUNCEMENT

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DRILLING REPORT FOR CYRENE-1 IN EP 438, CANNING BASIN, WESTERN AUSTRALIA FOR THE PERIOD 0600 HOURS 21 FEBRUARY 2013 TO 0600 HOURS 25 FEBRUARY 2013

Since the last report issued at 0600 hours 21 February 2013, Key had completed flow testing of the Willara Formation conventional objective and was unable to recover any hydrocarbons on test. The decision has now been made by the EP 438 Joint Venture to plug and abandon Cyrene-1. The Goldwyer data set will now be assessed to understand the unconventional opportunity in EP 438

Commenting on the results, Managing Director Kane Marshall stated:

‘Whilst we are disappointed that we didn’t see the quality reservoir development that we expected at the Cyrene-1 location, a full suite of data from the Goldwyer Formation was obtained to understand the full potential of this Goldwyer Formation play.

For media and shareholder enquiries please contact commrelations@keypetroleum.com.au

Kane Marshall

BSc (Geology), BCom (Inv & Corp Fin), Masters PetEng, SPE, AAPG, PESGB, SPWLA

Managing Director

Key Petroleum Ltd

Telephone: +61 8 6389 0322

Competent Persons Statement

Information in this ASX Release relates to information compiled by Mr Kane Marshall. Kane Marshall is a Practicing Petroleum Engineer and holds a BSc (Geology), a BCom (Inv & Corp Fin) and a Masters in Petroleum Engineering. He is a member of the Society of Petroleum Engineers (SPE) and the American Association of Petroleum Geologists (AAPG).

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**CYRENE-1 PETROLEUM EXPLORATION WELL
EP 438 - WESTERN AUSTRALIA**

1.	Well Name/Permit:	Cyrene-1 EP438 - Western Australia			
2.	The Report is for the Period:	0600 – 21 February 2013 to 0600 - 25 February 2013			
3.	This ASX Release Time and Date:	1000 – 25 February 2013			
4.	Report No:	Seventeen			
5.	Spud Date/DCA Rig #7:	21 January 2013			
6.	Days since Spud:	Thirty Five			
7.	Locations of the Well:	<i>Latitude: 18° 16' 34.5"S</i>	<i>Longitude: 122° 24' 05.1"E</i>		
8.	Elevation:	<i>GL</i>	47m		
		<i>RT from GL (MSL)</i>	3.1m		
		<i>RT to GL</i>	50.1m		
9.	Proposed Total Depth:	1060 metres TVD			
10.	Targets:	<i>Primary: Goldwyer Formation</i>			
		<i>Secondary: Willara Formation</i>			
11.	Present Depth:	Completed testing the Willara Formation in 6" hole at 1070m RT at 0600 hours 25 February 2013			
12.	Geological Summary:		Formation Tops (m RT):		
			<i>Prognosed</i>	<i>Actual</i>	<i>Difference</i>
		<i>Wallal Sandstone</i>	295m	295m	-
		<i>Grant Formation</i>	490m	490m	-
		<i>Goldwyer Formation</i>	915m	918m	-3
		<i>Willara Formation</i>	1035m	1055m	-20

Key Petroleum Ltd

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ABN 50 120 580 618

13. **Hydrocarbon Indications:**

Oil Shows:

Interval MDRT(m)		Lithology	UV Light	
From	To		Cut Fluorescence	Residue
915m	925m	Goldwyer Claystone	Slow blooming, slight to moderate blue white cut fluorescence	Slight to moderate bright white to cream fluorescence
925m	950m	Goldwyer Claystone	Slow blooming moderate bright blue white cut fluorescence	Moderate bright white to cream fluorescence
950m	958m	Goldwyer Claystone	Slow blooming, moderate bright blue white cut fluorescence	Moderate bright white to cream fluorescence
958m	967m	Goldwyer Claystone cuttings	Slow blooming, moderate bright blue white cut fluorescence	Moderate bright white to cream fluorescence
968m	986m	Goldwyer Claystone cuttings	Slow blooming, moderate bright blue white cut fluorescence	Moderate bright white to cream fluorescence
896m	995m	Claystone	Slight to mod. Bright blue white cut fluorescence	Slight to moderate bright blue white, cream white with time
995m	1014m	Claystone	Slight to moderate bright slow blooming blue white cut fluorescence	Slight to moderate bright blue white, cream white with time
1014m	1020m	Claystone Core		Slight to moderate bright blue white crush cut fluorescence, slowly intensifying Very faint with Depth
1020m	1035m	Claystone	Mod bright blue white cut fluorescence	Slight to moderately bright white fluorescence
1035m	1055m	Claystone	Mod bright blue white cut fluorescence	Slight to moderately bright white fluorescence
1056m	1056m	Limestone	Instant faint, intensifying with time to slight bright blue white cut fluorescence	Slight bright white residual fluorescent ring
1060m	1070m	Limestone	Faint blue white cut, intensifying after crushing the limestone*	slight bright yellow white residual ring

Gas Shows:

Depth m RT	Total Gas (units)	C1	C2	C3	iC4	nC4	iC5	nC5
		(ppm)						
915m	0.5	7						
924m	1.065	46	17	18	2	8	2	3
952m	2.92	89	33	32	5	19	7	9
957m	1.036	43	14	16	3	12	5	7
958m	3.16	86	31	31	6	20	7	10
959m	2.1	122	37	30	5	16	5	6
967m	5.6	274	89	79	14	49	18	22
985m	14.5	618	197	181	41	130	59	70
986m to 995m	2.6	22	23	23	7	17	10	12
1005 to 1014m	2.9	89	19	21	7	13	11	15
1014m to 1020m	1.9	47	8	8	6	7	7	10
1020 to 1035m	5.3	83	19	20	7	23	18	24
1035m to 1050m	5.2	78	15	15	5	17	11	15
1055m to 1070m	6.4	168	38	27	7	22	12	16

14.	Operations since last Report:	Run wireline logs in 6" hole over Willara Formation and conducted drill stem test (DST).	
15.	Current Operations:	Plug and abandoning	
16.	Future Operations:	Demobilise rig and camp.	
17.	Prospect Description:	<p>The first reservoir target of the Cyrene 1 well is the Goldwyer unit, an argillaceous unit of some 135m thickness. This is regarded as an 'unconventional' reservoir with potential to establish prospectivity over a very large area of the Broome Platform and beyond. The qualities of the Goldwyer which support this concept, apart from thickness and broad distribution, include organic contents frequently averaging 1.5-2% but ranging up to 4% or more, and a high calcareous content which implies favourable fracture characteristics.</p> <p>The second reservoir target of the well, the 'cavernous' limestones of the Willara Formation, was confirmed by the substantial lost circulation zones encountered in Hedonia-1.</p>	
18.	Participants in the Well:	Key Petroleum Ltd (Gulliver Productions Pty Ltd) (Operator)	20.0%
		Buru Energy Limited	37.5%
		Mitsubishi Corporation (Diamond Resources (Canning) Pty Ltd)	37.5%
		Indigo Oil Pty Ltd	5.0%

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Cyrene-1 Time v Depth (Budget) Well Spud to Rig Release

